

MICROSOFT PROPERTIES UK LIMITED

Report and Financial Statements

52 weeks ended 29 June 2001



Presented for filing by -

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SOLICITORS**

Ref: *Smy* / 98-29390

**Deloitte & Touche
Columbia Centre
Market Street
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RG12 1PA**

REPORT AND FINANCIAL STATEMENTS 2001

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7

REPORT AND FINANCIAL STATEMENTS 2001

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R Eshelman (resigned 31 January 2001)
J G Connors (resigned 31 January 2001)
K J Fay (appointed 31 January 2001)
J A Seethoff (appointed 31 January 2001)
N Holloway

SECRETARY

R B Secretariat Limited

REGISTERED OFFICE

Microsoft Campus
Thames Valley Park
Reading
Berkshire
RG6 1WG

BANKERS

Citibank
Citibank House
336 Strand
London
WC2R 1HB

SOLICITORS

Richards Butler
Beaufort House
15 Botolph Street
London
EC3A 7EE

AUDITORS

Deloitte & Touche
Chartered Accountants
Columbia Centre
Market Street
Bracknell
Berkshire
RG12 1PA

TAXATION ADVISERS

Arthur Andersen
Abbots House
Abbey Street
Reading
Berkshire
RG1 3BD

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 52 weeks ended 29 June 2001.

ACTIVITIES

The principal activity of the company is property investment.

REVIEW OF DEVELOPMENTS

During the period the company has continued to operate satisfactorily.

DIVIDENDS

A dividend of £nil was paid during the year (2000 - £nil).

FUTURE PROSPECTS

The company is soundly placed to continue its current activities.

DIRECTORS

The directors who served during the period are listed on page 1.

No director had any interest in the shares of the company or any other group company at any point during the period.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors. A resolution has been passed dispensing with the requirement for the auditors to be re-appointed at the annual general meeting.

Approved by the Board of Directors
and signed on behalf of the Board



N Holloway
Director

22 May 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MICROSOFT PROPERTIES UK LIMITED

We have audited the financial statements of Microsoft Properties UK Limited for the 52 weeks ended 29 June 2001 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 29 June 2001 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985

Deloitte & Touche

DELOITTE & TOUCHE
Chartered Accountants
and Registered Auditors

22 May 2002

PROFIT AND LOSS ACCOUNT
52 weeks ended 29 June 2001

	Note	52 weeks ended 29 June 2001 £'000	52 weeks ended 30 June 2000 £'000
TURNOVER	2	4,375	-
GROSS PROFIT		4,375	-
Administrative expenses		(3,648)	(2,691)
OPERATING PROFIT	3	727	(2,691)
Interest receivable and similar income	5	1,326	1,189
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,053	(1,502)
Tax on profit on ordinary activities	6	(882)	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION TRANSFERRED FROM RESERVES	11	1,171	(1,502)

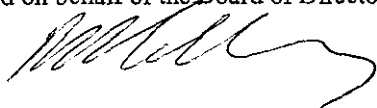
There are no recognised gains and losses for the current and preceding financial periods other than as stated in the profit and loss account. All amounts derive from continuing activities.

BALANCE SHEET
29 June 2001

	Note	2001 £'000	2000 £'000
FIXED ASSETS			
Tangible assets	7	12,569	8,988
Intangible assets	8	5,812	9,300
		<u>18,381</u>	<u>18,288</u>
CURRENT ASSETS			
Debtors	9	26,090	23,519
Cash at bank and in hand		1,088	977
		<u>27,178</u>	<u>24,496</u>
CREDITORS: amounts falling due within one year			
Accruals		3,472	2,429
Corporation tax creditor		830	
Amounts owed to fellow subsidiaries		12,724	12,993
		<u>17,026</u>	<u>15,442</u>
NET CURRENT ASSETS		<u>10,152</u>	<u>9,074</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>28,533</u>	<u>27,362</u>
CAPITAL AND RESERVES			
Called up share capital	10	23,942	23,942
Profit and loss account	11	4,591	3,420
SHAREHOLDERS' FUNDS		<u>28,533</u>	<u>27,362</u>
Attributable to equity shareholders		4,641	3,470
Attributable to non-equity shareholders		<u>23,892</u>	<u>23,892</u>

These financial statements were approved by the Board of Directors on 22 May 2002.

Signed on behalf of the Board of Directors



N Holloway
Director

NOTES TO THE ACCOUNTS
52 weeks ended 29 June 2000**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

The properties do not qualify to be treated as investment properties as defined by SSAP19 and accordingly have not been revalued to market value but are subject to annual depreciation.

Fixed assets

Fixed assets are stated in the balance sheet at cost less accumulated depreciation. Provision is made for permanent diminution in value.

Depreciation is calculated so as to write off the cost of fixed assets over their expected useful lives at the following rates:

Freehold land and buildings	Not depreciated
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Goodwill

Capitalised purchased goodwill is included with intangible fixed assets and is being amortised over a period of three years.

Deferred taxation

Deferred taxation is provided on timing differences, arising from different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Leases

Rental income from operating leases is recognised on a straight line basis from the date of full occupancy over the period up to the next rent review under the terms of the lease.

2. TURNOVER

Turnover represents rental income from property, excluding value added tax. All turnover derives from fellow subsidiary undertakings within the United Kingdom.

3. OPERATING LOSS

	2001 £'000	2000 £'000
Operating loss is stated after charging:		
Amortisation of goodwill	3,488	1,163

The auditors' remuneration has been borne by another group company in both the current and prior periods.

NOTES TO THE ACCOUNTS
52 weeks ended 29 June 2000

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

No director received any remuneration in respect of their services to the company during the period ended 29 June 2001 (52 weeks 30 June 2000 – £nil).

The company had no employees during the period ended 29 June 2001 (52 weeks ended 30 June 2000 – nil).

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2001 £'000	2000 £'000
Interest receivable from parent company	1,307	1,182
Bank deposit interest	19	7
	<u>1,326</u>	<u>1,189</u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	2001 £'000	2000 £'000
UK corporation tax at 30%	882	-
	<u>882</u>	<u>-</u>

There are no provided or unprovided deferred tax liabilities (2000: £nil).

NOTES TO THE ACCOUNTS
52 weeks ended 29 June 2000

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000
Cost	
At 1 July 2000	8,988
Additions	3,581
	<u>12,569</u>
At 29 June 2001	<u>12,569</u>
Depreciation at 1 July 2000 and 29 June 2001	-
Net book value	
At 29 June 2001	<u>12,569</u>
At 30 June 2000	<u>8,988</u>

8. INTANGIBLE ASSETS

	Goodwill £'000
Cost	
At 1 July 2000 and 29 June 2001	<u>10,463</u>
Depreciation	
At 1 July 2000	1,163
Charge for the period	3,488
	<u>4,651</u>
At 30 June 2001	<u>4,651</u>
Net book value	
At 29 June 2001	<u>5,812</u>
At 30 June 2000	<u>9,300</u>

9. DEBTORS

	2001 £'000	2000 £'000
Due from parent company	4,375	52
VAT recoverable	116	1,838
Due from fellow subsidiary	21,599	21,629
	<u>26,090</u>	<u>23,519</u>

All amounts are due within one year.

NOTES TO THE ACCOUNTS
52 weeks ended 29 June 2000

10. CALLED UP SHARE CAPITAL

	2001 £'000	2000 £'000
Authorised, called up, allotted and fully paid:		
50,000 ordinary shares of £1 each	50	50
23,892,025 redeemable ordinary shares of £1 each	23,892	23,892
	<u>23,942</u>	<u>23,942</u>

The redeemable ordinary shares are redeemable at par by the company on one month's written notice. In all other respects they rank pari passu with the ordinary shares.

11. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Share capital £'000	Profit and loss account £'000	Total 2001 £'000	Total 2000 £'000
At the beginning of the period	23,942	3,420	27,362	28,864
Loss for the period	-	1,171	1,171	(1,502)
At the end of the period	<u>23,942</u>	<u>4,591</u>	<u>28,533</u>	<u>27,362</u>

12. ULTIMATE PARENT COMPANY

The ultimate parent undertaking of the company, which is also the controlling undertaking, is Microsoft Corporation, a company incorporated in the state of Washington in the United States of America. Copies of Microsoft Corporation's annual report are available on written request from the Investor Relations Department, Microsoft Corporation, 1 Microsoft Way, Redmond, Washington, 98052-6399, USA.

13. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard No. 8 "Related Party Disclosures", transactions with other group undertakings within, and investee related parties of, the Microsoft Corporation group have not been disclosed in these financial statements.